

Northwest Iowa Area
Solid Waste Agency

FINANCIAL REPORT

June 30, 2015

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Northwest Iowa Area Solid Waste Agency
Officials

| <u>Name</u> | <u>Title</u> | <u>Representing</u> |
|----------------------|------------------------|-----------------------|
| Jerry Johnson | Chairman | City of Sibley |
| Mark Behrens | Vice-Chairman | Lyon County |
| Arlyn Kleinwolterink | Executive Board Member | Sioux County |
| Scott Maggert | Executive Board Member | City of Matlock |
| Les Brommer | Executive Board Member | City of Sioux Center |
| Tom Farnsworth | Executive Board Member | O'Brien County |
| Randy Lyman | Executive Board Member | City of Sanborn |
| Brad Hindt | Executive Board Member | City of Sheldon |
| Leroy De Boer | Executive Board Member | Osceola County |
| Arlyn Pedley | Executive Board Member | City of Ocheyedan |
| Cheryl Hoyer | Executive Board Member | City of Everly |
| Dennis Thielvoldt | Executive Board Member | City of Alvord |
| Bob Gerber | Executive Board Member | City of Lester |
| Gary Horton | Executive Board Member | City of Akron |
| Dale Oltmans | Board Member | City of Alton |
| Ken Hoogendoorn | Board Member | City of Boyden |
| Robin Falde | Board Member | City of Chatsworth |
| Mike Steffes | Board Member | City of Granville |
| Tom Kane | Board Member | City of Hawarden |
| John Solsma | Board Member | City of Hospers |
| Rod Te Krony | Board Member | City of Hull |
| Jordan Richardson | Board Member | City of Ireton |
| Virgil Van Schepen | Board Member | City of Maurice |
| Bryan Gerritson | Board Member | City of Orange City |
| Dale Kooima | Board Member | City of Rock Valley |
| Tamara Heerde | Board Member | City of Archer |
| Jamie Riedemann | Board Member | City of Calumet |
| Brad Meendering | Board Member | City of Hartley |
| Shawn Strubbe | Board Member | City of Paullina |
| Kurt Edwards | Board Member | City of Primghar |
| Bruce Engelke | Board Member | City of Sutherland |
| William Honkomp | Board Member | City of Ashton |
| Greg Spaethe | Board Member | City of Harris |
| Becky Heitritter | Board Member | City of Melvin |
| Allen Hockett | Board Member | City of Dickens |
| Aaron Rutter | Board Member | City of Fostoria |
| James Bendlin | Board Member | City of Gillett Grove |
| Don Scott | Board Member | City of Greenville |
| Jacquie Kehoe | Board Member | City of Peterson |
| Barb Trieweller | Board Member | City of Rossie |
| Arlene Wimmer | Board Member | City of Royal |
| Brad Greene | Board Member | City of Webb |
| Jerry Keizer | Board Member | City of Doon |
| Russ Hopp | Board Member | City of George |
| Gerald Brands | Board Member | City of Inwood |
| Dean Snyders | Board Member | City of Larchwood |
| Bill Henrichs | Board Member | City of Little Rock |
| Marlene Bowers | Board Member | City of Rock Rapids |

Northwest Iowa Area Solid Waste Agency
Officials - continued

| | | |
|--------------------|------------------------|----------------------|
| Dennis Wright | Alternate Board Member | Sioux County |
| Ron Minten | Alternate Board Member | City of Alton |
| Roger Nelson | Alternate Board Member | City of Boyden |
| Greg Arens | Alternate Board Member | City of Chatsworth |
| Curtis Christoffel | Alternate Board Member | City of Granville |
| Larry Bauder | Alternate Board Member | City of Hawarden |
| Aaron Kooiker | Alternate Board Member | City of Hull |
| Robert Jasper | Alternate Board Member | City of Ireton |
| Jim Meendering | Alternate Board Member | City of Matlock |
| Bill Korver | Alternate Board Member | City of Maurice |
| Duane Feeckes | Alternate Board Member | City of Orange City |
| Tom Van Maanen | Alternate Board Member | City of Rock Valley |
| Murray Hulstein | Alternate Board Member | City of Sioux Center |
| Nancy McDowell | Alternate Board Member | O'Brien County |
| Bill Engeltjes | Alternate Board Member | City of Archer |
| Michael Jensen | Alternate Board Member | City of Calumet |
| Mike Boeve | Alternate Board Member | City of Hartley |
| Justin Stamer | Alternate Board Member | City of Paullina |
| Marlene Anderson | Alternate Board Member | City of Primghar |
| Jim Zeutenhorst | Alternate Board Member | City of Sanborn |
| Todd Uhl | Alternate Board Member | City of Sheldon |
| Jack Wallinga | Alternate Board Member | City of Sutherland |
| Mike Scholte | Alternate Board Member | Osceola County |
| Dennis Hatting | Alternate Board Member | City of Ashton |
| Mike Alesch | Alternate Board Member | City of Melvin |
| Glenn Anderson | Alternate Board Member | City of Sibley |
| Steve Simmons | Alternate Board Member | City of Dickens |
| Roger Putnam | Alternate Board Member | City of Everly |
| Penny Glienke | Alternate Board Member | City of Greenville |
| Terry Selk | Alternate Board Member | City of Peterson |
| Leoma Haaland | Alternate Board Member | City of Rossie |
| Jim Runsom | Alternate Board Member | City of Royal |
| Heather Baier | Alternate Board Member | City of Webb |
| Kirk Peters | Alternate Board Member | Lyon County |
| Mark Nagel | Alternate Board Member | City of Alvord |
| Brian Denekas | Alternate Board Member | City of Doon |
| Kary Conaway | Alternate Board Member | City of George |
| Kyle Knobloch | Alternate Board Member | City of Inwood |
| Sandi DeSmet | Alternate Board Member | City of Larchwood |
| Daniel Gerber | Alternate Board Member | City of Lester |
| Cody Hoefert | Alternate Board Member | City of Rock Rapids |
| Harold Higman Jr. | Alternate Board Member | City of Akron |
| Larry Oldenkamp | Manager | |

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwest Iowa Area Solid Waste Agency
Sheldon, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Northwest Iowa Area Solid Waste Agency (an intergovernmental organization) as of and for the years ended June 30, 2015 and 2014, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northwest Iowa Area Solid Waste Agency as of June 30, 2015 and June 30, 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 11 to the financial statements, Northwest Iowa Area Solid Waste Agency adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Correction of an Error

As discussed in Note 12 to the financial statements, certain errors resulting in overstatement of restricted net position as of June 30, 2014, were discovered during the current year. Accordingly, amounts reported in restricted net position have been restated in the 2014 financial statements now presented. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of Agency Contributions information on pages 6 through 9 and pages 27 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2015 on our consideration of the Northwest Iowa Area Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Northwest Iowa Area Solid Waste Agency's internal control over financial reporting and compliance.

K. F. Murphy Co., P.C.

K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa
December 1, 2015

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS

Northwest Iowa Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Agency's operating revenues increased 40%, or \$736,293, from fiscal 2014 to fiscal 2015. Gate fee income increased due to an increase in rate as well as the breakout of avian flu in northwest Iowa.

The Agency's operating expenses were 7%, or \$103,338 less in fiscal 2015 than in fiscal 2014. This is primarily due to an decrease in closure and postclosure costs as a result of a change in estimate.

The Agency's net position increased approximately 28%, or \$1,129,310 from June 30, 2014 to June 30, 2015.

USING THIS ANNUAL REPORT

Northwest Iowa Area Solid Waste Agency is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Northwest Iowa Area Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Position presents information on the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses, and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. The Agency's net position for fiscal year 2015 totals approximately \$5,169,000. This compares to approximately \$4,353,000 for fiscal year 2014. A summary of the Agency's net position is presented below.

| Net Position | | |
|---|---------------------|---------------------|
| | June 30 | |
| | 2015 | 2014 |
| | | (not restated) |
| Current assets | \$ 3,454,192 | \$ 2,660,815 |
| Restricted assets | 1,772,623 | 1,698,761 |
| Capital assets at cost, less accumulated depreciation | <u>1,765,940</u> | <u>1,828,845</u> |
| Total assets | 6,992,755 | <u>6,188,421</u> |
| Deferred outflows of resources | <u>38,977</u> | |
| Total assets and deferred outflows of resources | 7,031,732 | |
| Current liabilities | 124,817 | 111,444 |
| Noncurrent liabilities | <u>1,646,115</u> | <u>1,724,048</u> |
| Total liabilities | 1,770,932 | <u>1,835,492</u> |
| Pension related deferred inflows | <u>91,503</u> | |
| Total liabilities and deferred inflows | 1,862,435 | |
| Net position: | | |
| Invested in capital assets, net of related debt | 1,765,940 | 1,828,845 |
| Restricted | 366,439 | |
| Unrestricted | <u>3,036,918</u> | <u>2,524,084</u> |
| Total net position | <u>\$ 5,169,297</u> | <u>\$ 4,352,929</u> |

The unrestricted portion may be used to meet the Agency's obligations as they come due. The Agency's restricted assets are restricted for closure and postclosure care and for tonnage fees due to the State of Iowa. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (eg. land, buildings and equipment) are resources allocated to capital assets.

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest, farm and grant income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the year ended June 30, 2015 and 2014 is presented below:

| Changes in Net Position | | |
|--|---------------------|---------------------|
| | Year ended June 30 | |
| | 2015 | 2014 |
| Operating revenue: | | (not restated) |
| Gate fees | \$ 2,305,310 | \$ 1,569,017 |
| Recycling fees | 178,956 | 202,017 |
| Household hazardous material fees | 13,309 | 10,406 |
| Total operating revenue | <u>2,497,575</u> | <u>1,781,440</u> |
| Operating expenses: | | |
| Salaries and employee benefits | 554,964 | 546,844 |
| Directors' fees and meetings | 3,147 | 3,297 |
| Gas, oil and grease | 99,064 | 124,169 |
| Telephone and utilities | 15,680 | 15,482 |
| Office, shop supplies and tools | 5,767 | 4,884 |
| Repairs and maintenance | 81,132 | 67,626 |
| Payroll taxes | 33,177 | 31,743 |
| Insurance | 44,563 | 56,118 |
| Professional fees | 85,319 | 144,018 |
| Depreciation | 171,390 | 175,393 |
| Advertising | 1,013 | 1,080 |
| Miscellaneous | 253 | 376 |
| Custodial expense | 1,650 | 1,560 |
| Education and training | 3,524 | 4,457 |
| Gravel | 11,340 | 10,579 |
| Engineering, hydrological studies and water sampling | 130,568 | 64,014 |
| Solid waste fee | 291,343 | 194,090 |
| Leachate disposal expense | 27,693 | 29,305 |
| Equipment rental fee | 19,520 | 407 |
| Appliance and tire disposal fees | 39,989 | 26,905 |
| Closure and postclosure costs | <u>(317,864)</u> | <u>(95,777)</u> |
| Total operating expenses | <u>1,303,232</u> | <u>1,406,570</u> |
| Operating income (loss) | <u>1,194,343</u> | <u>374,870</u> |
| Non-operating revenues: | | |
| Interest income | 30,720 | 30,695 |
| Other income | 274 | - |
| Net farm income | <u>3,973</u> | <u>2,846</u> |
| Total non-operating revenue | <u>34,967</u> | <u>33,541</u> |
| Extraordinary expenses: | | |
| Settlement of lawsuit with DNR | <u>(100,000)</u> | |
| Increase in net position | 1,129,310 | 408,411 |
| Net position beginning of year, as restated | <u>4,039,987</u> | <u>3,944,518</u> |
| Net position end of year | <u>\$ 5,169,297</u> | <u>\$ 4,352,929</u> |

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in the net position at the end of the fiscal year.

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

In fiscal year 2015, operating revenues increased by \$736,293, or 40%, primarily a result of an increase in gate fees and the breakout of the avian flu virus in northwest Iowa. Operating expenses decreased by \$103,338, or 7%. The decrease was primarily a result of an increase in the life expectancy of the landfill and a decrease in closure and postclosure costs.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits, Iowa Investment Trust Fund, and interest income.

Capital Assets

At June 30, 2015, the Agency had \$1,765,940 invested in capital assets, net of accumulated depreciation of \$2,969,452. Depreciation charges totaled \$171,390 for fiscal year 2015. More detailed information about the Agency's capital assets is presented in Note 4 to the financial statements.

Economic Factors

Northwest Iowa Area Solid Waste Agency slightly improved its financial position during the current fiscal year. In addition, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

Facilities at the Agency require constant maintenance and upkeep.

Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.

Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Northwest Iowa Area Solid Waste Agency, 4540 360th Street, Sheldon, Iowa.

Northwest Iowa Area Solid Waste Agency
Statements of Net Position

| | | June 30 | |
|--|--|---------------------|---------------------|
| | | 2015 | 2014 |
| | | | (not restated) |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | \$ 1,033,375 | \$ 453,652 |
| Certificates of deposit | | 1,171,999 | 1,315,461 |
| Investments | | 786,893 | 681,819 |
| Accounts receivable | | 408,900 | 167,820 |
| Accrued interest receivable | | 8,352 | 7,878 |
| Prepaid insurance | | 44,673 | 34,185 |
| Total current assets | | 3,454,192 | 2,660,815 |
| CAPITAL ASSETS | | | |
| Net of accumulated depreciation | | 1,765,940 | 1,828,845 |
| RESTRICTED ASSETS | | | |
| Cash and cash equivalents | | 39,712 | 42,391 |
| Certificate of deposit | | 1,732,911 | 1,656,370 |
| Total restricted assets | | 1,772,623 | 1,698,761 |
| Total Assets | | 6,992,755 | 6,188,421 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related deferred outflows | | 38,977 | - |
| Total assets and deferred outflows of resources | | <u>\$ 7,031,732</u> | <u>\$ 6,188,421</u> |

See notes to financial statements.

| | | June 30 | |
|--|----|---------------------|---------------------|
| | | 2015 | 2014 |
| | | | (not restated) |
| LIABILITIES & FUND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ | 44,923 | \$ 35,169 |
| Solid waste tax payable | | 56,153 | 55,531 |
| Accrued payroll expenses | | 1,646 | 1,471 |
| Accrued property taxes | | 1,134 | 1,008 |
| Compensated absences | | 20,961 | 18,265 |
| Total current liabilities | | <u>124,817</u> | <u>111,444</u> |
| NONCURRENT LIABILITIES | | | |
| Estimated liability for landfill closure and postclosure costs | | 1,406,184 | 1,724,048 |
| Net pension liabilities | | 239,931 | - |
| Total noncurrent liabilities | | <u>1,646,115</u> | <u>1,724,048</u> |
| Total liabilities | | <u>1,770,932</u> | <u>1,835,492</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenues: | | | |
| Pension related deferred inflows | | <u>91,503</u> | <u>-</u> |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | | 1,765,940 | 1,828,845 |
| Restricted for: | | | |
| Tonnage fees retained | | 39,712 | 42,391 |
| Closure and postclosure care costs | | 326,727 | - |
| Unrestricted | | <u>3,036,918</u> | <u>2,481,693</u> |
| Total net position | | <u>5,169,297</u> | <u>4,352,929</u> |
| Total liabilities, deferred inflows of resources, and net position | | <u>\$ 7,031,732</u> | <u>\$ 6,188,421</u> |

Northwest Iowa Area Solid Waste Agency

Statements of Revenue, Expenses and Changes in Net Position

| | June 30 | |
|---|---------------------|---------------------|
| | 2015 | 2014 |
| REVENUE | | (not restated) |
| Gate fees | \$ 2,305,310 | \$ 1,569,017 |
| Recycling fees | 178,956 | 202,017 |
| Household hazardous material fees | 13,309 | 10,406 |
| Total revenue | <u>\$2,497,575</u> | <u>\$1,781,440</u> |
| OPERATING EXPENSES | | |
| Salaries and wages | 441,011 | 423,248 |
| Directors and meetings | 3,147 | 3,297 |
| Gas, oil and grease | 99,064 | 124,169 |
| Telephone and utilities | 15,680 | 15,482 |
| Office supplies and services | 5,767 | 4,884 |
| Repairs and maintenance | 81,132 | 67,626 |
| Payroll taxes | 33,177 | 31,743 |
| Pension expense | 15,579 | 35,352 |
| Insurance | 44,563 | 56,118 |
| Employee benefits | 98,374 | 88,244 |
| Professional fees | 85,319 | 144,018 |
| Depreciation | 171,390 | 175,393 |
| Advertising | 1,013 | 1,080 |
| Miscellaneous | 253 | 376 |
| Custodial expense | 1,650 | 1,560 |
| Education and training | 3,524 | 4,457 |
| Gravel | 11,340 | 10,579 |
| Engineering and hydrological study | 104,079 | 44,788 |
| Water sample expense | 26,489 | 19,226 |
| Iowa Department of Natural Resources tonnage fee | 291,343 | 194,090 |
| Appliance disposal fees | 13,633 | 13,610 |
| Leachate disposal expense | 27,693 | 29,305 |
| Equipment rent | 19,520 | 407 |
| HHM expense | 17,898 | 9,240 |
| HHM education and advertising | 403 | 1,452 |
| Tire disposal fees | 8,055 | 2,603 |
| Closure and postclosure care costs | (317,864) | (95,777) |
| Total operating expenses | <u>1,303,232</u> | <u>1,406,570</u> |
| Operating income (loss) | 1,194,343 | 374,870 |
| NON-OPERATING REVENUE | | |
| Interest income | 30,720 | 30,695 |
| Other income | 274 | - |
| Farm income, net of expenses 2015 \$2,959; 2014 \$4,823 | 3,973 | 2,846 |
| Total non-operating revenue | <u>34,967</u> | <u>33,541</u> |
| EXTRAORDINARY EXPENSE | | |
| Settlement of lawsuit with DNR | (100,000) | - |
| Net income (loss) | <u>1,129,310</u> | <u>408,411</u> |
| Net position beginning of year | <u>4,039,987</u> | <u>3,944,518</u> |
| Net position end of year | <u>\$ 5,169,297</u> | <u>\$ 4,352,929</u> |
| See notes to financial statements. | | |

Northwest Iowa Area Solid Waste Agency

Statements of Cash Flows

| | June 30 | |
|---|---------------------|-------------------|
| | 2015 | 2014 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | (not restated) |
| Cash received from customers | \$ 1,868,405 | \$1,456,251 |
| Cash paid to suppliers and employees | (1,275,965) | (1,393,835) |
| Cash received from farming | 6,932 | 7,670 |
| Cash paid relating to farming | (2,959) | (4,824) |
| Cash received from solid waste tax | 96,747 | 85,282 |
| Net cash provided by operating activities | <u>693,160</u> | <u>150,544</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of capital assets | (108,485) | (536,180) |
| Net cash (used in) capital and related financing activities | <u>(108,485)</u> | <u>(536,180)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Iowa Investment Trust Fund | (105,074) | (74) |
| Proceeds from Iowa Investment Trust Fund | - | 365,380 |
| Purchase of Certificates of Deposit | 66,921 | (36,295) |
| Interest received | 30,248 | 31,566 |
| Other income received | 274 | |
| Net cash provided by (used in) investing activities | <u>(7,631)</u> | <u>360,577</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 577,044 | (25,059) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning | <u>496,043</u> | <u>521,102</u> |
| Ending | <u>\$ 1,073,087</u> | <u>\$ 496,043</u> |

See notes to financial statements.

Northwest Iowa Area Solid Waste Agency
Statements of Cash Flows (continued)

| | June 30 | |
|---|---------------------|-------------------|
| | 2015 | 2014 |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS | | (not restated) |
| PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEETS | | |
| Per balance sheets | | |
| General fund, cash and cash equivalents | \$ 1,033,375 | \$ 453,652 |
| Restricted fund, cash and cash equivalents | 39,712 | 42,391 |
| Total per statement of cash flows | <u>\$ 1,073,087</u> | <u>\$ 496,043</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH | | |
| PROVIDED BY OPERATING ACTIVITIES | | |
| Operating income (loss) | <u>\$ 1,094,343</u> | <u>\$ 374,870</u> |
| Adjustments to reconcile operating income | | |
| to net cash provided by operating activities: | | |
| Depreciation | 171,390 | 175,393 |
| Closure and postclosure costs | (317,864) | (95,777) |
| Component of operating income reclassified | | |
| for purposes of reporting cash flows: | | |
| Farm income, net | 3,973 | 2,846 |
| Changes in assets and liabilities | | |
| (Increase) in accounts receivable | (241,080) | (45,817) |
| (Increase) decrease in prepaid insurance | (10,488) | 26,527 |
| Increase in solid waste tax payable | 622 | 78 |
| Increase (decrease) in accounts payable | 9,754 | (291,179) |
| Increase in accrued payroll expenses | 175 | 59 |
| Increase in accrued property taxes | 126 | 70 |
| Increase in compensated absences | 2,696 | 3,474 |
| Increase in deferred inflows of resources | 91,503 | - |
| (Decrease) in net pension liability | (108,365) | - |
| (Increase) in deferred outflows of resources | (3,625) | - |
| Total adjustments | <u>(401,183)</u> | <u>(224,326)</u> |
| Net cash provided by operating activities | <u>\$ 693,160</u> | <u>\$ 150,544</u> |

See notes to financial statements.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Northwest Iowa Area Solid Waste Agency is an intergovernmental organization organized under the provisions of Chapter 28E of the laws of the State of Iowa for the purpose of providing for the economic disposal and recycling of solid waste generated within each member municipality located in a five county area. Admission to the Agency is on a voluntary basis, with new members being approved by the existing Board of Directors. The Agency also provides disposal services to private contractors. The Agency, being an intergovernmental organization, is exempt from income taxes.

For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Northwest Iowa Area Solid Waste Agency has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Northwest Iowa Area Solid Waste Agency are organized as an enterprise fund. Enterprise funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in conjunction with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities, and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash Equivalents - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2015 and 2014, include certificates of deposit of \$1,171,999 and \$1,315,461, respectively.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets - Funds set aside for payment of closure and postclosure costs are classified as restricted.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the useful lives of the assets. Buildings and lease improvements are amortized over twenty-five years and equipment is depreciated over a five to seven year life.

The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u> | <u>Amount</u> |
|----------------------------|---------------|
| Buildings and improvements | \$ 1,000 |
| Equipment and vehicles | \$ 500 |

Capital assets of the Agency are depreciated using the straight line method over the following useful lives:

| <u>Asset Class</u> | <u>Estimated useful Lives (In Years)</u> |
|---------------------------|--|
| Buildings | 15-25 |
| Building improvements | 7-10 |
| Equipment and vehicles | 5-7 |
| Landfill cell development | Landfill capacity used |

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2015 or 2014.

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Agency's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2015 and 2014.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources the fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

NOTE 2 CASH AND INVESTMENTS

The Agency's deposits at June 30, 2015 and 2014 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency's investments at June 30, 2015 and 2014 were as follows:

| | <u>Carrying Amount</u> | <u>Market Amount</u> |
|----------------------------|------------------------|----------------------|
| 2015 Iowa Investment Trust | <u>\$ 786,893</u> | <u>\$ 786,893</u> |
| 2014 Iowa Investment Trust | <u>\$ 681,819</u> | <u>\$ 681,819</u> |

In addition, the Agency's investment in the Iowa Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 RISK MANAGEMENT

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Agency's contributions to the Pool for the year ended June 30, 2015 were \$105,074.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk sharing protection provided by the Agency's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Agency does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the Agency's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Agency continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment is summarized by major classification as follows:

| | Balance <u>6/30/2014</u> (not restated) | <u>Additions</u> | <u>Deletions</u> | Balance <u>6/30/2015</u> |
|-------------------------------|---|--------------------|------------------|-----------------------------|
| Construction in progress | \$ - | | | \$ - |
| Land | 183,046 | | | 183,046 |
| Land improvements | 1,390,306 | 100,428 | | 1,490,734 |
| Equipment | 2,207,428 | 7,025 | | 2,214,453 |
| Buildings | 811,109 | 1,032 | | 812,141 |
| Office equipment | <u>35,018</u> | <u>-</u> | | <u>35,018</u> |
| | 4,626,907 | 108,485 | - | 4,735,392 |
| Less accumulated depreciation | <u>(2,798,062)</u> | <u>(171,390)</u> | <u>-</u> | <u>(2,969,452)</u> |
| Totals | <u>\$ 1,828,845</u> | <u>\$ (62,905)</u> | <u>\$ -</u> | <u>\$ 1,765,940</u> |

| | Balance <u>6/30/2013</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>6/30/2014</u> |
|-------------------------------|-----------------------------|--------------------|-------------------|-----------------------------|
| Construction in progress | \$ 305,978 | \$ 364,594 | \$ 670,572 | \$ - |
| Land | 183,046 | - | - | 183,046 |
| Land improvements | 560,389 | 829,917 | - | 1,390,306 |
| Equipment | 2,195,187 | 12,241 | - | 2,207,428 |
| Buildings | 811,109 | - | - | 811,109 |
| Office equipment | <u>35,018</u> | <u>-</u> | <u>-</u> | <u>35,018</u> |
| | 4,090,727 | 1,206,752 | 670,572 | 4,626,907 |
| Less accumulated depreciation | <u>(2,622,669)</u> | <u>(175,393)</u> | <u>-</u> | <u>(2,798,062)</u> |
| Totals | <u>\$ 1,468,058</u> | <u>\$1,031,359</u> | <u>\$ 670,572</u> | <u>\$ 1,828,845</u> |

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 5 MAJOR CUSTOMERS

For the period ending June 30, 2015 and 2014, three customers accounted for 37% and 25% of total operating revenue.

| <u>Name</u> | <u>2015</u> | | <u>2014</u> | |
|----------------------|---------------|----------------|---------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| USDA | \$309,418 | 14% | \$ - | 0% |
| Brommer Truck Line | 322,660 | 15% | 302,184 | 17% |
| Town & Country, Inc. | 185,745 | 8% | 151,642 | 8% |

NOTE 6 RELATED PARTIES

The Agency collects gate fees in the normal course of business from solid waste carriers who also serve on the Agency's Board. Following is a summary:

| <u>Name and Title</u> | <u>Description</u> | <u>2015</u> | <u>2014</u> |
|--|-------------------------|-------------|-------------|
| Les Brommer - Sioux Center Representative, Executive Board | | | |
| Owner of Brommer Truck Line | | | |
| | Gate & Solid Waste Fees | \$322,660 | 302,184 |
| | Accounts Receivable | 28,300 | 28,120 |
| William Honkomp, Ashton Representative, Full Board | | | |
| | Gate & Solid Waste Fees | \$ 30,468 | 31,547 |
| | Accounts Receivable | 2,379 | 2,651 |

NOTE 7 CLOSURE AND POSTCLOSURE CARE COSTS

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect on the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 7 CLOSURE AND POSTCLOSURE COSTS (continued)

Governmental Accounting Standards Board Statement No. 18, requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for the Northwest Iowa Area Solid Waste Agency have been estimated at \$3,566,908 as of June 30, 2015 and the portion of the liability that has been recognized is \$1,406,185. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2015. Actual costs may be higher due to inflation, changes in technology or changes in regulations. Due to a change in estimate the remaining life of the landfill has been increased by 23 years. The estimated remaining life of the landfill is 63 years and the capacity used at June 30, 2015 is approximately 39 percent.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun to accumulate resources to fund these costs and at June 30, 2015, assets of \$1,732,911 are restricted for these purposes. They are reported as restricted assets and restricted net position on the Statements of Net Position.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund mechanism and the government guarantee. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

The fund is dedicated by local government statute as a reserve fund.

Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.

Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in period

Chapter 567-113.14(6)(a) of the IAC allows the agency to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the landfill is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

Chapter 567-113.14(6)(h) of the IAC allows a landfill to choose the local government guarantee to demonstrate financial assurance. The guarantee must be a written guarantee jointly provided by the members of the 28E organization.

Chapter 567-113.14(6)(f) of the IAC allows a landfill to utilize the local government financial test to demonstrate financial assurance.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 8 SOLID WASTE TONNAGE FEES RETAINED

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2015, the unspent amount retained by the Agency and restricted for required purposes totaled \$39,712.

NOTE 9 SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through December 1, 2015, the date which the financial statements were available to be issued.

NOTE 10 PENSION PLAN

Plan Description. IPERS membership is mandatory for employees of the Agency, except those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July, 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 PENSION PLAN (continued)

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Agency contributed 8.93 percent for a total rate of 14.88 percent.

The Agency's total contributions to IPERS for the year ended June 30, 2015 were \$36,066.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Agency reported a liability of \$239,931 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Agency's collective proportion was 0.005928 percent which was a decrease of 0.000223 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Agency recognized pension expense of \$15,579. At June 30, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and Actual experience | \$ 2,608 | \$ - |
| Changes of assumptions | 10,589 | - |
| Net difference between projected and actual Earnings on pension plan investments | - | 91,503 |
| Changes in proportion and differences between Agency contributions and proportionate share of contributions | (10,286) | - |
| Agency contributions subsequent to the measurement date | 36,066 | - |
| Total | <u>\$ 38,977</u> | <u>\$ 91,503</u> |

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 PENSION PLAN (continued)

\$36,066 reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | |
|---------------------------|-------------|
| 2016 | \$ (22,196) |
| 2017 | (22,196) |
| 2018 | (22,196) |
| 2019 | (22,195) |
| 2020 | 191 |
| | (88,592) |

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|--|
| Rate of inflation (effective June 30, 2014) | 3.00 percent per annum |
| Rates of salary increase (effective June 30, 2010) | 4.00 to 17.00 percent, average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 1996) | 7.50 percent, compounded annually, net of investment expense, including inflation |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|-------------------------|---|
| US Equity | 23% | 6.31 |
| Non US Equity | 15 | 6.76 |
| Private Equity | 13 | 11.34 |
| Real Estate | 8 | 3.52 |
| Core Plus Fixed Income | 28 | 2.06 |
| Credit Opportunities | 5 | 3.67 |
| TIPS | 5 | 1.92 |
| Other Real Assets | 2 | 6.27 |
| Cash | 1 | (0.69) |
| Total | 100% | |

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 PENSION PLAN (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

| | 1% Decrease <u>(6.5%)</u> | Discount Rate <u>(7.5%)</u> | 1% Increase <u>(8.5%)</u> |
|---|---------------------------------|-----------------------------------|---------------------------------|
| Agency's proportionate share of The net pension liability: | \$ 453,343 | \$ 239,931 | \$ 59,789 |

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the Agency has paid all legally required employee and employer contributions to IPERS.

NOTE 11 Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 11 Accounting Change/Restatement continued

| | <u>Net Position</u> |
|--|-------------------------|
| Net position June 30, 2014 as previously reported | \$ 4,352,929 |
| Net pension liability at June 30, 2014 | (348,294) |
| Change outflows of resources Related contributions made after the June 30, 2013 measurement date | <u>35,352</u> |
| Net position July 1, 2014 as restated | <u>\$ 4,039,987</u> |

NOTE 12 Correction of an Error

In previous years, Northwest Iowa Area Solid Waste Agency reported the total value of restricted assets as the balance in restricted net position. During the current year it was discovered that only the restricted assets exceeding the corresponding liability should be included in the restricted net position. As required by Generally Accepted Accounting Principles these amounts were restated causing unrestricted net assets to go up by \$1,698,761.

As previously reported.

| | <u>2014</u> |
|---|---------------------|
| Net position: | |
| Invested in capital assets, net of related debt | \$ 1,828,845 |
| Restricted | 1,698,761 |
| Unrestricted | <u>825,323</u> |
| Total net position | <u>\$ 4,352,929</u> |

As corrected/restated.

| | <u>2014</u> |
|---|---------------------|
| Net position: | |
| Invested in capital assets, net of related debt | \$ 1,828,845 |
| Restricted | - |
| Unrestricted | <u>2,524,084</u> |
| Total net position | <u>\$ 4,352,929</u> |

Northwest Iowa Area Solid Waste Agency
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Iowa Public Employees' Retirement System
Last Fiscal Year*

Required Supplementary Information

| | <u>2015</u> |
|---|-------------|
| Agency's proportion of the net position liability (asset) | 0.005928% |
| Agency's proportionate share of the net pension liability | \$ 239,931 |
| Agency's covered-employee payroll | 403,875 |
| Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 59.41% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.61% |

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

Northwest Iowa Area Solid Waste Agency
SCHEDULE OF AGENCY CONTRIBUTIONS

Iowa Public Employee's Retirement System
 Last 10 Fiscal Years

Required Supplementary Information

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-----------------|-----------------|-----------------|
| Statutoril required contribution | \$ 36,066 | 35,352 | 34,494 |
| Contribution in relation to the statutorily required contribution | <u>(36,066)</u> | <u>(35,352)</u> | <u>(34,494)</u> |
| Contrubution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> |
| Agency's convered-employee payroll | \$ 403,875 | \$ 395,879 | \$ 397,855 |
| Contributions as a percenage of covered-employee payroll | 8.93% | 8.93% | 8.67% |

See accompanying independent auditor's report.

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 32,401 | 26,830 | 24,244 | 22,474 | 22,207 | 18,545 | 17,329 |
| <u>(32,401)</u> | <u>(26,830)</u> | <u>(24,244)</u> | <u>(22,474)</u> | <u>(22,207)</u> | <u>(18,545)</u> | <u>(17,329)</u> |
| - | - | - | - | - | - | - |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 401,499 | \$ 386,043 | \$ 364,571 | \$ 353,921 | \$ 367,058 | \$ 322,522 | \$ 301,374 |
| 8.07% | 6.95% | 6.65% | 6.35% | 6.05% | 5.75% | 5.75% |

Northwest Iowa Area Solid Waste Agency
NOTES TO OTHER INFORMATION – PENSION LIABILITY
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

Northwest Iowa Area Solid Waste Agency
NOTES TO OTHER INFORMATION - PENSION LIABILITY (continued)

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Members of Northwest
Iowa Area Solid Waste Agency:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Northwest Iowa Area Solid Waste Agency as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, and have issued our report thereon dated December 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northwest Iowa Area Solid Waste Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northwest Iowa Area Solid Waste Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northwest Iowa Area Solid Waste Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Northwest Iowa Area Solid Waste Agency's financial statements will not be prevented or detected and corrected on a timely basis. We do not consider the deficiencies in the Northwest Iowa Area Solid Waste Agency's internal control described in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northwest Iowa Area Solid Waste Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Northwest Iowa Area Solid Waste Agency's Responses to Findings

The Northwest Iowa Area Solid Waste Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Northwest Iowa Area Solid Waste Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Northwest Iowa Area Solid Waste Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

K. F. Murphy Co., P.C.

K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa
December 1, 2015

NORTHWEST IOWA AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2015

Findings Related to the Financial Statements:

Significant Deficiency:

- A. Segregation of Duties - An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the preparation of checks, reconciling of the bank statement, and execution of general ledger functions were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - Due to the limited number of office employees, segregation of duties is very difficult. However, the manager reviews receipts, postings, and payroll on a test basis.

Conclusion - Response accepted.

Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Current year statutory comments are as follows:

1. Official Depositories - A resolution naming official depositories has been adopted by the Agency. We noted no instances of non-compliance with the amounts noted.
2. Questionable Expenses - We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
4. Board Minutes - No transactions were found that we believe should have been approved in the Agency minutes but were not.
5. Deposits and Investments - The Agency has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. We noted no instances of non-compliance with the policy.
6. Solid Waste Fees Retainage - No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.
7. Financial Assurance - The Agency has demonstrated financial assurance for closure and postclosure care costs as required by Chapter 113 of the Iowa Administrative Code. The Agency has shown financial assurance by establishing a dedicated fund and funding it in accordance with GASB 18 funding rules. The Agency also has a local government guarantee and local government financial test in place for any unfunded amounts.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa
December 1, 2015